

16. Ameritech Michigan denies all allegations therein for the reason that they are untrue and are conclusions of law and fact.

17. Ameritech Michigan neither admits nor denies the allegations as to statements made by potential customers of Brooks Fiber's local exchange service to Brooks Fiber therein for the reason that it lacks information sufficient to form a belief as to the truth of such allegations. Ameritech Michigan also neither admits nor denies the allegations of Brooks Fiber regarding alleged incurred expenses in paying termination liability of customers of Ameritech Michigan's intraLATA toll contracts for the reason Ameritech lacks information sufficient to form a belief as to the truth of such allegations. Ameritech Michigan denies all other allegations therein for the reason that they are untrue and are conclusions of law and fact.

18. Ameritech Michigan admits that Brooks Fiber has requested a contested case hearing herein.

19. Ameritech Michigan admits that Brooks Fiber has attached testimony and exhibits from Martin W. Clift and Bernie Schmidt.

AFFIRMATIVE DEFENSES

Ameritech Michigan hereby avers, alleges, and demands answer to the following affirmative defenses to Brooks Fiber's complaint:

1. Ameritech Michigan affirmatively states and realleges the allegations made in Paragraphs 1 through 19 hereof as though fully set forth herein by way of affirmative defenses to Brooks Fiber's complaint.

2. Brooks Fiber lacks standing to assert claims in this complaint relating to Ameritech Michigan's provision of intraLATA toll service to its customers including, but not limited to, allegations regarding allegedly improper terms of such contracts between Ameritech Michigan and its customers or alleged failure to disclose information to such customers.

3. This Commission lacks jurisdiction with regard to claims made by Brooks Fiber concerning Ameritech Michigan's contracts with its customers for intraLATA toll services and with regard to whether Ameritech Michigan's management makes a decision to offer or not to offer intraLATA toll service to end user customers of Brooks Fiber's basic local exchange customers at the present time.

4. Ameritech Michigan states that Brooks Fiber is not entitled to obtain intraLATA toll services for its end user customers pursuant to the former PEC/SEC arrangement which exists between Ameritech Michigan and certain independent telephone companies, such as Allendale Telephone Company, Drenthe Telephone Company, and Borculo Telephone Company. In prior proceedings before this Commission, Brooks Fiber has specifically stated that it is a primary exchange carrier. Furthermore, such arrangements are not applicable in situations involving a local exchange provider who has implemented intraLATA dialing parity with "2-PIC" technology. The Commission has already determined that participation of intraLATA toll providers, such as Ameritech Michigan, in offering their services to end user customers of local exchange providers who have implemented 2-PIC technology (as Brooks Fiber has claimed to have done) is voluntary on an exchange-

by-exchange basis. (See the MPSC's Order in Case No. U-10138, March 10, 1995, p. 35)

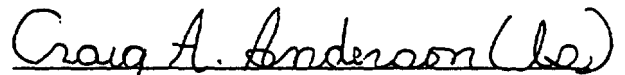
5. Ameritech Michigan states that it believes that Brooks Fiber has asserted the issue raised in this complaint in an attempt to revisit its claim for abrogation of existing customer contracts, or "fresh look," as asserted but rejected by the Commission in its February 29, 1995 order, MPSC Case No. U-10647, the application of Brooks Fiber's predecessor, City Signal, for establishment of interconnection arrangements with Ameritech Michigan, and is thus barred from relitigating this issue herein.

6. Ameritech Michigan states that its actions are in compliance with the Michigan Telecommunications Act, 1991 PA 179, as amended, and Commission orders relating to the matters set forth in Brooks Fiber's complaint.

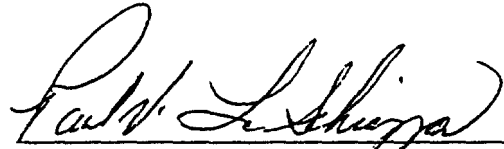
WHEREFORE, Ameritech Michigan requests that Brooks Fiber's complaint be denied, and that the Commission grant such further relief as it may deem to be appropriate under the circumstances.

Respectfully submitted,

AMERITECH MICHIGAN



CRAIG A. ANDERSON (P28968)
444 Michigan Avenue, Room 1750
Detroit, Michigan 48226
(313) 223-8033



PAUL V. LA SCHIAZZA
Vice President - Regulatory
Ameritech Michigan

DATED: April 18, 1997



444 Michigan Avenue
Room 1750
Detroit, MI 48226
Office: 313-223-8033
Fax: 313-496-9326

Craig A. Anderson
Counsel

April 22, 1997

Ms. Dorothy Wideman
Executive Secretary
Michigan Public Service Commission
P.O. Box 30221
Lansing, MI 48909

MICHIGAN PUBLIC SERVICE
FILED

APR 23 1997

Re: MPSC Case No. U-11350.

COMMISSION

Dear Ms. Wideman:

Enclosed for filing in the above-referenced case is the original proof of service for the Answer and Affirmative Defenses of Ameritech Michigan filed with the Commission April 18, 1997.

Very truly yours,

Craig A. Anderson
g

Enclosure

CAA:jkt

STATE OF MICHIGAN

BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the complaint of BROOKS FIBER)
COMMUNICATIONS OF MICHIGAN, INC.)
against AMERITECH CORPORATION and)
MICHIGAN BELL TELEPHONE CO., d/b/a)
AMERITECH MICHIGAN, regarding)
discriminatory practices as it relates to the)
termination of intraLATA toll traffic.)

Case No. U-11350

MICHIGAN PUBLIC SERVICE
FILED

PROOF OF SERVICE

APR 23 1997

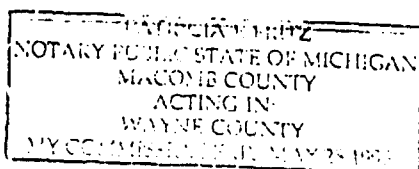
Jacqueline K. Tinney, being first duly sworn, deposes and states that
on the 18th day of April 1997, she served a copy of the Answer and Affirmative
Defenses of Ameritech Michigan upon the parties listed on the attached service list
via facsimile.

Further, deponent sayeth not.

Jacqueline K. Tinney
JACQUELINE K. TINNEY

Subscribed and sworn to before me
this 18th day of April, 1997.

Patricia E. Fritz



SERVICE LIST

MPSC CASE NO. U-11350

David Voges
Assistant Attorney General
6545 Mercantile Way, Suite 15
Lansing, MI 48911
Representing MPSC Staff
Fax: 517-334-7655

William R. Ralls
Butzel Long
118 W. Ottawa Street
Lansing, MI 48933
Representing Brooks Fiber
Fax: 517-372-6672

EXHIBIT N

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the complaint of BROOKS
FIBER COMMUNICATIONS OF MICHIGAN,)
INC. against AMERITECH CORPORATION, and)
MICHIGAN BELL TELEPHONE CO., d/b/a MICHIGAN PUBLIC SERVICE)
AMERITECH MICHIGAN, regarding discriminatory) FILED Case No. U-11350
practices as it relates to the termination of)
intraLATA toll traffic.)
APR 17 1997

MCI TELECOMMUNICATIONS COMMISSION
AND
MCImetro ACCESS TRANSMISSION SERVICES, INC.
PETITION FOR LEAVE TO INTERVENE

Pursuant to Rule 201 of the Commission's Rules of Practice and Procedure, R 460.17201, MCI Telecommunications Corporation ("MCI") and MCImetro Access Transmission Services, Inc. ("MCImetro") petition for leave to intervene in the above captioned matter. In support, petitioners say as follows:

1. In its orders in Cases Nos. U-7853 and U-8946, dated April 23, 1985 and December 22, 1987, respectively, the Commission authorized MCI to provide interLATA and intraLATA toll telecommunication services.
2. In its orders in Case No. U-10138, dated February 24, 1994 and July 19, 1994, the Commission granted MCI authority to provide 1+ intraLATA message toll service on a dialing parity basis with Ameritech Michigan ("Ameritech").
3. In its order in Case No. U-10610, dated March 29, 1995, the Commission authorized MCI's affiliate, MCImetro, to provide basic local exchange service in certain portions of the state of Michigan.
4. In Case No. U-11345, MCImetro has pending an application for authority to provide basic local exchange service in remaining portions of Michigan, including the geographic area in dispute in the above captioned docket.
5. MCI or MCImetro have intervened or actively participated in the vast majority of proceedings before this Commission relating to the transition from a monopoly to a competitive telecommunications environment.

6. MCI or MCImetro have intervened or actively participated in a large number of *complaint proceedings* before this Commission, e.g., the *MCI intraLATA dialing parity complaint proceeding*, Case No. U-10138; the *Sprint billing insert complaint*, Case No. U-11138; the *AT&T access degradation complaint*, Case No. U-11240, etc.

7. MCI is/was a party in a number of appeals of Commission orders to the Michigan Court of Appeals.

8. MCI is a competitor of Ameritech in the provision of intrastate intraLATA toll service.

9. MCImetro is a competitor of Ameritech in the provision of basic local exchange service.

10. As competitors of Ameritech, MCI and MCImetro are directly affected and damaged by the anticompetitive activity described in Brooks Fiber Communications of Michigan, Inc.'s ("*Brooks Fiber*") complaint in this docket.

11. Both Ameritech's and MCImetro's local exchange customers have the option of selecting different, unaffiliated carriers for intraLATA toll service. For example, a customer having MCImetro as its carrier for local services may have a carrier other than MCI chosen as its "*dial 1*" carrier for intraLATA toll traffic, or may "*dial around*" the preselected carrier by using another provider's 10XXX access code.

12. MCImetro has/will have "*dual PIC*" capability. That is, a customer may select a different carrier as its "*dial 1*" carrier for intraLATA toll calls than picked as its "*dial 1*" carrier for interLATA toll calls. For example, a local service customer of MCImetro may choose AT&T as its "*dial 1*" carrier for intraLATA toll calls and choose MCI as its "*dial 1*" carrier for interLATA toll calls.

13. Ameritech has refused to allow customers of *new entrants*' local exchange services to elect Ameritech for intraLATA toll services.

14. Ameritech provides intraLATA toll service to customers of *incumbent* local exchange companies that do not compete with Ameritech for local exchange service customers.

15. Ameritech's refusal to offer intraLATA toll service to *new entrants'* local service customers, while offering such services to customers of *incumbent* local exchange service providers, constitutes anticompetitive activity in violation of the MTA. Specifically, Ameritech's refusal constitutes unlawful action by a provider of local exchange service in discriminating against other providers, in providing inferior connections to another provider, by impairing the speed, quality or efficiency of lines used by another provider, and by refusing or delaying access by any person to another provider.

16. The quality, general availability, or conditions for the regulated service (the provision of intraLATA toll service by Ameritech) are adverse to the public interest.

17. Ameritech's refusal to allow customers of new entrants' local services to select Ameritech as the provider of intraLATA toll service, while offering that service to customers of incumbent providers through arrangements with those providers, constitutes a violation of the requirement under MCL 484.2310(5) to offer toll access services to all providers under the same rates, terms, and conditions.

18. In addition to wrongly denying access by new entrants' customers to intraLATA toll services, Ameritech and its distributors have engaged/are engaging in anticompetitive sales activities with regard to intraLATA toll calling term plans, known as Ameritech Value Link Calling Plus Plans. These term agreements vary in length from twelve months to eighty-four months. The customer commits to a minimum monthly usage to secure a reduced rate for intraLATA toll calls. The minimum annual usage amounts vary from \$600/year (\$50/month) to \$12,000.00/year (\$1,000.00/month). If a customer fails to meet the minimum usage in any one month of the agreement, Ameritech bills the customer the difference to make up the minimum monthly commitment.

19. Several customers of Ameritech's Value Link Calling Plus Plans have expressed an interest in switching to a new entrant as their local service carrier. However, Ameritech has refused to allow these customers to switch their local service to the new entrant and maintain their Ameritech intraLATA toll service calling plans. Ameritech has a policy not to allow customers of new entrants' local exchange service to select Ameritech as their intraLATA toll service provider.

800 MICHIGAN NATIONAL TOWER • LANSING, MICHIGAN 48933-1707
DYKEMA GOSSETT • A PROFESSIONAL LIMITED LIABILITY COMPANY

20. If the customer nevertheless elects to switch to the new entrant for local service, the customer must terminate its Ameritech Value Link Calling Plus Plan and incur a *penalty*. Consequently, the customer who believes it has purchased only an intraLATA long distance calling plan has also, in effect, tied itself to solely using Ameritech's local exchange service as well. Ameritech has effectively foreclosed competition for local exchange service in a large segment of the market by systematically refusing to allow customers of competitors to maintain a Value Link Calling Plus Plan with any local service provider other than Ameritech. As a *de facto* tie-in between Ameritech's Value Link Calling Plus Plans and its local exchange service, Ameritech is unlawfully bundling unwanted services or products in violation of MCL 484.2305(1)(m). In addition, by failing to disclose to Value Link Calling Plus Plan customers that, by signing up for the plan, the customer is effectively limiting itself to Ameritech for local service, Ameritech has omitted material information regarding the terms and conditions of the Value Link Calling Plus Plan in a manner that is false, misleading, and deceptive, in violation of MCL 484.2502(a).

21. In addition, Ameritech has refused to accurately provide critical information to Value Link Calling Plus Plan customers considering changing to new entrants for local exchange services by misrepresenting or refusing to disclose the termination penalty of the Value Link Calling Plus Plan contracts. Through these actions, Ameritech has omitted material information regarding the terms and conditions of the Value Link Calling Plus Plan in a manner that is false, misleading, and deceptive, in violation of MCL 484.2502(a).

22. As a competitor of Ameritech, MCI and MCImetro meet the "*zone of interests*" test.

23. As a purchaser of telecommunications services from Ameritech, MCI and MCImetro meet the "*zone of interests*" test.

24. If the Commission allows Ameritech to continue the actions complained of in this docket, MCI and MCImetro will be adversely affected and unable to effectively compete. Thus, MCI and MCImetro meet the "*injury in fact*" test.

25. Even if it is determined that MCI and MCImetro do not meet the two-pronged test for standing, the Commission should allow permissive intervention as a matter of discretion. Significant policy matters are at issue, the evolving competitive telecommunications market is

affected, and MCI and MCImetro are in position to provide useful and unique information to the Commission.

26. No other party to this proceeding can adequately represent MCI's and MCImetro's interests in this docket.

27. MCI and MCImetro represent that their intervention will not unduly delay the resolution of this matter.

WHEREFORE, MCI and MCImetro respectfully request that their intervention be allowed and that they be granted the rights of a full party in interest.

Respectfully submitted,

MCI TELECOMMUNICATIONS CORPORATION

and

MCImetro ACCESS TRANSMISSION SERVICES,
INC.

By: 

Albert Ernst (P24059)
DYKEMA GOSSETT PLLC
800 Michigan National Tower
Lansing, Michigan 48933
(517) 374-9155

MCI TELECOMMUNICATIONS CORPORATION

and

MCImetro ACCESS TRANSMISSION SERVICES,
INC.

By: 

James R. Denniston
205 North Michigan Avenue
Suite 3700
Chicago, Illinois 60601
(312) 470-4943

Dated : April 17, 1997

LA\20686.1
ID\ AE

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * *

In the matter of the complaint of BROOKS
FIBER COMMUNICATIONS OF MICHIGAN,
INC. against AMERITECH CORPORATION, and
MICHIGAN BELL TELEPHONE CO., d/b/a
AMERITECH MICHIGAN, regarding discriminatory
practices as it relates to the termination of
intraLATA toll traffic.

Case No. U-11350

MICHIGAN PUBLIC SERVICE
FILED


APR 17 1997

COMMISSION


PROOF OF SERVICE

STATE OF MICHIGAN)
COUNTY OF INGHAM) ss.

Sara C. Devine, being first duly sworn, deposes and says that on the 17th day of April, 1997, she caused to be served upon the persons listed in the attached Service List, copies of MCI Telecommunications Corporation and MCImetro Access Transmission Services, Inc. Petition for Leave to Intervene in the above-captioned matter by placing said copies in envelopes, plainly addressed to each person and, with postage fully prepaid thereon, deposited said envelopes in a United States mail receptacle.


Sara C. Devine

Subscribed and sworn to before me this 17th day of April, 1997.


Jeanne M. Baker, Notary Public
Ingham County, Michigan
My commission expires: 6/19/01

SERVICE LIST

Larry VanderVeen
Regional Vice President
Brooks Fiber Communications
of Michigan, Inc.
2855 Oak Industrial Drive Ne
Grand Rapids, Mi 49506-1277

William R. Ralls
Leland R. Rosier
118 West Ottawa Street
Lansing, MI 48933

Michael Holmes
Ameritech Michigan
444 Michigan Avenue Room 1750
Detroit Mi 48226

Paul Lashiazza
Ameritech
6425 South Pennsylvania, Ste. 5
Lansing, Mi 48911

EXHIBIT O

Information Industry Services
350 North Orleans
Floor 3
Chicago, IL 60654
Office 312-335-2900

Ameritech.

Neil E. Cox
President

June 9, 1997

f

VIA FACSIMILE

Ms. Anne Bingaman
LCI International
8180 Greensboro Drive, Suite 800
McLean, VA 22102

Dear Anne:

The following is in response to your letter of May 22, 1997.

Mr. Michael O'Sullivan initiated and has led weekly conference calls with LCI since mid-1996 to identify, track and manage operational, service and marketing issues. Michael provided Ms. Costello with written conference call status reports on a weekly basis that identified a sequential tracking number, and current status, for each of these issues. This report included all the issues which Ms. Costello felt the need to subsequently and additionally document, despite the fact Ameritech was already acting on each of these issues. Michael did call Ms. Costello to acknowledge receipt of each letter she sent him and confirmed that every issue mentioned had already been discussed at length on the weekly conference calls and separately in almost daily individual calls. In addition, numerous Ameritech personnel had discussed specific aspects of these issues in meetings, calls and via e-mail with LCI. Therefore, Michael did not believe it necessary to provide additional documentation on these issues. However, Mr. O'Sullivan did in fact provide a written response to each issue raised in Ms. Costello's letters. I have attached a copy of Michael O'Sullivan's May 28, 1997 letter to Ms. Kelly Costello which provides a response to each issue raised in her letters.

I. AMERITECH'S APPARENT EFFORT TO FORECLOSE COMPETITION BY LOCKING CUSTOMERS INTO LONG-TERM CONTRACTS

In your May 22, 1997 letter, you claim that Ameritech is deliberately foreclosing competition by locking up substantial segments of local markets by tying customers to long-term contracts with huge termination penalties. You also allege that this practice has the effect of foreclosing huge portions of the local customer base from competitors' reach. Ameritech unequivocally disputes these claims.

Based upon your vast experience as both a private practitioner and the nation's highest ranking antitrust official, you are more than familiar with the law governing exclusivity agreements. Recognizing the benefits that often result from exclusive dealing arrangements, these agreements are not per se antitrust violations but instead analyzed under the Rule of Reason. From a supply-side standpoint, exclusivity permits a supplier to offer lower prices, additional services, and necessary capital investment. From a demand-side perspective, customer welfare is enhanced by lower prices, more services, dedicated supplier personnel, and the certainty of a supply source at a predetermined or otherwise predictable price.

As you also know, exclusivity agreements are problematic under antitrust law only when their duration is deemed anticompetitive and when such agreements foreclose significant segments of the relevant market. Durational reasonableness and permissible levels of market foreclosure are obviously industry-specific questions. Ameritech believes that its contracts with local customers do not foreclose viable competitive entry.

* LETTER COPY NOT RECEIVED IN TIME FOR THIS FILING.

As a final general observation concerning your allegations in Section I, please the parties to the subject agreements are business customers. Many are substantial corporations with significant bargaining power. These customers are not in any manner coerced into entering these agreements. Instead, they recognize the many benefits which such arrangements may provide them.

In Subsection A of Section I of your letter, you allege that Ameritech's long-term intraLATA toll call contracts foreclose up to 50% of both the local and intraLATA toll markets from competition. For numerous reasons, Ameritech takes exception to this claim.

Initially, Ameritech disputes your characterization of these contracts as exclusivity arrangements. Many of the subject contracts are very customer-specific. However, a majority of these agreements do not, in fact, require exclusivity. Some of the agreements contain volume-driven pricing discounts. Other agreements contain pricing predicated on certain volume commitments. To be sure, these types of provisions incent customer loyalty, but they do not require it. Customers presented with competitive offers may purchase service from competing providers.

Ameritech believes there is absolutely no basis for the allegation that up to 50% of Ameritech's business customers are bound by long-term exclusivity agreements. Based upon our estimates, an extremely small share of the relevant market is subject to agreements which may be considered long-term in nature. Clearly, to the extent that these contracts cause any market foreclosure, the degree of foreclosure is well within limits set forth under prevailing antitrust law and does not pose a significant barrier to new market entry.

Moreover, most of the subject contracts are one or two years in duration. Ameritech does not believe that this term is unreasonable within this industry and under prevailing antitrust case law. As noted above, commitments of this duration also provide the basis for lower prices and enhanced customer service.

With respect to the tying allegation relating to our Value Link service, there is no tie of local service to Ameritech's Value Link product because customers may, in a 2-PIC state, elect Ameritech as their intraLATA toll carrier while electing a different local exchange service provider. Various methods are available to implement multiple carrier elections by a customer, and Ameritech may use traditional and non-traditional billing arrangements to do so. Implementation of any arrangement requires cooperation between the carriers selected by the customer.

In Subsection B of Section I of your letter, you claim that Ameritech's long-term Centrex contracts foreclose up to 50% of the small business market from effective competition. Ameritech also takes exception to this allegation for a number of reasons.

Many of the Centrex contracts are not, in fact, exclusive dealing arrangements. Some of the contracts call for volume-driven pricing discounts or volume commitments. These agreements do not, however, prevent the customer from obtaining service from competitive providers. Other contracts do require some degree of exclusive dealing. However, this latter group of contracts frequently covers only a portion of a customer's service lines when compared to the customer's total lines in use.

Ameritech also believes that there is no basis for LCI's allegation that as much as 50% of the relevant small business market has been foreclosed from effective competition. A claim of this sort obviously turns on the complainant's definition of the relevant product or service market. Nevertheless, based upon Ameritech's definition of the relevant market, the degree of market foreclosure resulting from these contracts is relatively small, even when including contracts which are not, in fact, exclusive dealing arrangements. In any event, these contractual commitments do not pose a significant barrier to competitive entry.

While some of Ameritech's Centrex contracts do run for longer terms, the duration of these contracts is based, in large part, on the level of investment Ameritech must make to service the customers. Many of these contracts call for dedicated facilities and personnel. Other customer-specific expenses are also incurred. While you refer to the termination charges as punitive in nature, they are not: they are appropriate liquidated damages that merely provide Ameritech with the benefit of its bargain and the recoupment of capital investment.

Finally, you conclude Section I by alleging, in Subsection C, that Ameritech has foreclosed competition for a major portion of the large business telephone market by locking in such customers with volume discounts under long-term contracts subject to large termination penalties. Ameritech is simply unable to determine the nature of this claim. The two or three sentences appearing beneath the caption offer little in clarification. Ameritech would anticipate, however, that many of the so-called "exclusive" agreements are, in fact, volume discount programs or volume commitments which do not prevent a customer from obtaining service concurrently from a competitive provider. While we cannot determine the precise nature of your claim, Ameritech is confident that any actual market foreclosure is extremely small and well below levels considered actionable under prevailing antitrust law. Moreover, these contracts are with major business customers who possess substantial bargaining power. These customers are not coerced into exclusivity commitments, and they benefit from lower prices, dedicated personnel, and pricing and supply security. As you know volume and term contract are often used in our industry, not only by Ameritech and LCI, but also by Local providers who are currently offering services in the Ameritech service areas.

II. AMERITECH'S EFFORTS TO PREVENT LCI FROM EITHER PURCHASING OR TESTING UNES

I have previously responded to this issue in my May 28, 1997 letter to you which I have attached.

III. AMERITECH'S FAILURE TO PROVIDE OSS PARITY:

A. Failure to respond adequately to customer - specific service issues:

1. La Rabida Children's Hospital (La Rabida)

La Rabida Children's Hospital: This is an 82 line PBX customer. The original LCI request was received on December 10, 1996, to "assume as is" 81 lines. On the due date, December 20, 1997, LCI verbally changed its request to assume only 12 lines, not the original 81 lines. LCI did not send a written request to revise the order until January 22, 1997. This partial assumption of this complex account required a major and complex rearrangement of the services. Also, LCI continued to send in changes to the order prior to order completion. To further complicate matters, these orders encountered problems with the billing system. The request to move all services back to Ameritech was completed on April 22, 1997. The billing system issues related to this account were resolved as of May 29, 1997.

In regard to your suggested actions, Ameritech agrees that a letter should be sent to La Rabida describing the delays caused by our billing system. Since this is an Ameritech issue and the customer was kept informed throughout the period, we would prefer to send this letter directly to the customer, rather than jointly with LCI. Secondly, Ameritech agrees that our staffs need to work together to address appropriate credits related to other service issues. Our respective teams held a conference call on Friday, June 6 to start that process.

2. Embassy Executive Center ("Embassy Executive")

This was a Centrex customer in a grandfathered tariff with an expired contract when it was assumed by LCI. As with all grandfathered products, the tariff provides 90 days to update our billing system and properly bill these services. This billing system update was completed on February 15, 1997. The claims process to account for usage billed directly by Ameritech has been completed, and the customer was given a credit of \$224.02. This issue is considered resolved.

3. Fox Valley Fire I Safety ("Fox Valley")

This issue is related to Ameritech's conversion to a new billing system. This issue was resolved on April 28, 1997. Although this is a long time, Ameritech has outlined its process for submitting claims for usage billed directly to the customer by Ameritech instead of providing this usage to LCI. However, LCI has not submitted, nor initiated any such claim.

4. Coaches Hotline

We compared the LCI requests to the internal orders processed for this customer. All records match exactly. No Ameritech errors have been found. Further, it appears as though there were other non-Ameritech issues with this account such as problems with CPE. Since services were provided as ordered no credit will be given on this account.

5. Mark IV Realty

Based on the AIIS - LCI conference call held on May 14, 1997 and additional calls to the Ameritech Billing Group and AIIS Service Center, this does not appear to be an LCI account. Jim Styf, General Manager, AIIS Service Centers, is verifying the account information and will provide a written response under separate cover. If this is not an LCI account then LCI will not be responsible for any charges for this account and a credit will be issued.

B. Failure to provide timely and accurate information essential to billing**1. General Usage problems**

My team has investigated the list of 168 telephone numbers for which LCI indicated they had not received daily usage. LCI acknowledges closure for 30 of these numbers. The remaining 138 telephone numbers were confirmed as being resold to LCI. When messages are originated from these numbers they will be forwarded to LCI on their Daily Usage File (DUF).

We believe that all DUF information is being provide to LCI for their accounts. On May 7th, 1997, Ameritech asked LCI to confirm whether usage still had not been received for the 138 numbers. Ameritech also asked LCI to identify several high usage numbers from this list. As of May 30, 1997, this information had not been provided by LCI.

2. Daily usage file timeliness

The Billing System has been designed to provide recorded usage to external customers within 3 to 5 days. As LCI admits, it has received 58 percent of their daily usage in 3 days, 76 percent in 4 days and 99 percent in 5 days. While Ameritech uses best efforts to provide usage information within 72 hours, there are times when system processing sequences result in longer intervals.

3. Ameritech's electronic billing system (AEBS) timeliness

Ameritech has just completed a major hardware, software and operational migration for the Ameritech Electronic Billing System (AEBS). While the migration did cause some temporary system problems that resulted in late delivery of the AEBS tapes, we are confident that all issues are now resolved, and the end result should be significant operational improvements. As of this date, we expect that the May bill will be released on time and do not anticipate any delay in providing the associated electronic support documentation. As you indicated in your letter, the timing of delivery of the AEBS data has been improving in recent months.

4. Resulting billing problems

The intent of the AEBS feed is to provide an electronic billing file of the details needed to support the Ameritech bill to LCI and not to provide data for LCI's end user billing. Ameritech is providing the required daily usage information which can be combined with LCI's records of monthly recurring and non recurring charges. As a result, the timing of the AEBS file should not hinder or delay LCI's ability to bill their end user customers.

C. Failure to provide accurate and timely provisioning information

1. Grandfathered Ameritech Products

Grandfathered Telecommunications Services are available for resale, based on the terms and conditions in the LCI Ohio Resale Agreement, as contained in Exhibit 2 at 3.1 of that agreement, and the Ohio Resale Tariff, currently under review by the Public Utilities Commission of Ohio.

Grandfathered services are no longer available to the general public for new installations. These services are only available to existing customers for the duration of their contract period, and these contracts can be assumed by a Carrier. Since grandfathered services are no longer available to the general public, they are added into the Resale Billing System on a per account basis.

Upon assumption of an existing grandfathered contract by a Carrier, the billing name on the account is changed to the Carrier's billing name within 24 hours. Customers using grandfathered services are converted to the Resale Billing System on a per account basis, and the process takes 90 days, as contained in the pending resale tariff in Ohio.

During the 90 day conversion period, usage data associated with grandfathered services is provided to the Carrier in paper format on a monthly basis at retail rates. After 90 days, the account will be fully converted to the Resale Billing System, and all Ameritech provided usage and telecommunications services will be billed at the appropriate resale rate. Additionally, upon conversion to the Resale Billing System, Ameritech provided usage will appear on the Daily Usage Feed, and billed at the appropriate resale rates.

The retail billing that the Carrier received during this conversion process is adjusted retroactively back to the date of the billing name change through a claims process to be initiated by the Carrier, and a credit is issued to the Carrier, in the form of a credit adjustment against the Carrier's account, to reflect appropriate resale rates upon receipt of the claim.

2. Regularly updated USOC information

Ordering guides for unbundled network elements and resale services and other OSS documentation have been available on Ameritech's Internet website for resellers. The Resale Services Ordering Guide includes information on USOC, Class of Service, FID and/or other details necessary to accurately provision customer orders and should be a LCI source for accurate and up to date product ordering information. Furthermore, a comprehensive change management process ensures the Resale Services Ordering Guide reflects the most current and accurate data and USOC information, in parity with Ameritech's retail units. Combined with retail and resale tariffs, the Resale Services Ordering Guide provides LCI with the information needed to correctly provision customer orders.

Beyond the Resale Services Ordering Guide, LCI has also been provided additional information and instruction. For example, LCI has received resale training on ordering and billing and provided copies of the AHS Service Center's USOC and FID guide books addressed during this training. LCI has also been provided the list of USOCs not available for resale as well as Class of Service descriptions. Further, LCI is on the mailing list for the Feature Availability and Street Address Guide CDs.

D. Failure to develop an adequate electronic data interchange ("EDI") system

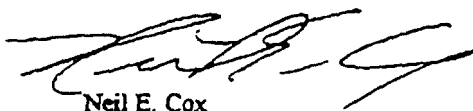
Ameritech's electronic OSS interfaces provide for the ordering of UNEs in addition to bundled resale.

We have already scheduled an enhancement to be implemented on June 30, 1997 which will provide for multiple error messages associated with a single order. In practice, we have found this is not as significant an issue as might be thought since less than one third of rejected orders experience a second reject upon resubmission.

There are currently no national standards for ordering UNEs without EDI. We have agreed to implement the ordering of unbundled loops via EDI within a reasonable period following the adoption of Customer Service Guidelines, Issue 7 by the Telecommunication Industry Forum (TCIF), which will be the first national guideline for ordering loops via EDI. We have also invited LCI to participate in implementation meetings with Ameritech and other carriers to plan the implementation of Issue 7. Also, use of the ASR for ordering unbundled transport elements is virtually identical to the ordering process used by LCI today when ordering the similar access elements from Ameritech as an DXC.

Anne, I would hope that in the future, we can address these matters in a spirit of mutual cooperation without the need for unnecessary unproductive letter exchanges. As this response demonstrates, Ameritech has been working with LCI to resolve and has resolved the outstanding service and operational issues detailed in your May 22, 1997 letter. We are committed to continue working with LCI as a valued customer, and we hope you are also committed to addressing and resolving any issues that may arise as part of our relationship.

Sincerely,



Neil E. Cox

Information Industry Services
150 East Gay Street, Room 13-0
Columbus, OH 43215
Office 614/751-0200
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Michael J. O'Sullivan
Major Account Manager

VIA FACSIMILE

May 28, 1997

Ms. Kelly Costello
LCI International
8180 Greensboro Drive, Suite 800
McLean, VA 22102

Dear Kelly:

In mid-1996 I initiated weekly conference calls with LCI to identify, track and manage operational, service and marketing issues. I initiated the calls with Bill Jones and Beth Rausch, then with Kirsten Johnson when she replaced Bill as AIIS' primary contact and have continued them with you since Kirsten left LCI.

I arrange and lead the calls every Monday morning and have had a variety of AIIS personnel participate in the conference calls from Billing, Database Management, EDI, Network Support, Product Management, Resale Service Center Management, Service Management, Voice Messaging Support and various Staff Managers, depending on the issues to be discussed. I have also maintained a written status report to record and update the current status of each of the issues discussed on the conference calls and have forwarded these to you and participating AIIS personnel.

From April 9, 1997 to May 20, 1997 you sent me 11 letters restating various resale and service issues from your perspective. I have called you to acknowledge receipt of these letters and confirmed that each of the issues listed have been discussed at length on our conference calls and in almost daily separate individual calls. In addition, numerous Ameritech personnel have discussed specific aspects of these issues in meetings, calls and via e-mail with LCI and this activity has been included in the written conference call status reports we have exchanged.

As we agreed, our next regular conference call will be held on Monday June 2, 1997, however, the following is the current status of the issues listed in your letters.

La Rabida Children's Hospital: This is an 82 line PBX customer that LCI originally requested to "assume as is - less one line". This initial service order was written on 12/15/96 and subsequently changed to "assume only 12 lines". There were also numerous orders and changes regarding the PICs for these lines. Ultimately the customer elected to remain with Ameritech and the AIIS Service Center has been working to return the account to its original status. As of this morning, we are waiting to verify that the one remaining service order has been accepted in the ACIS database. Kelly, as I recommended previously, and we agreed in our telephone conversation on May 23, 1997, I believe we should hold a joint review of this account as soon as the final order is completed to determine what the problems were, why they occurred and what we can do as a team to avoid them in the future. This is conference call issue #20 and was mentioned in your letters of 4/28, 4/29, 5/9, 5/14 and 5/20.

